

## Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 06721 061532Z

73

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-04 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 INT-05 /043 W

----- 006316

R 061431Z NOV 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 926

LIMITED OFFICIAL USE SANTIAGO 6721

EO 11652: NA

TAGS: EINV, EMIN, CI

SUBJ: SAGASCA COPPER MINE PROBLEMS

1. SUMMARY: DECISION WILL BE MADE SOON WHETHER TO SHUT DOWN PARTIALLY US-OWNED SAGASCA COPPER MINE, WHICH SUSTAINING LARGE LOSSES AT CURRENT WORLD COPPER PRICES. END SUMMARY.

2. SAGASCA COPPER MINE (60 PERCENT OWNED BY CONTINENTAL COPPER AND STEEL) IS ON BRINK OF INSOLVENCY. SAGASCA DEFAULTED SEPTEMBER PAYMENT OF LOAN PRINCIPAL AND INTEREST TO DOWA (JAPAN) AND IFC, AND THESE CREDITORS WILL MEET WITH SAGASCA AND CCS OFFICIALS IN MID-NOVEMBER TO DECIDE COURSE OF ACTION. SAGASCA ALSO OWES CHILEAN COPPER CORPORATION (CODELCO) \$2 MILLION. EMBASSY UNDERSTANDS THAT FORMER BRADEN COPPER EXECUTIVE AND CURRENT SAGASCA ADVISOR BOB HALDEMAN IS STRONG ADVOCATE OF SHUTTING DOWN MINE. SAGASCA HAS EXPLORED RAMIFICATIONS OF SHUTDOWN WITH GOC, WHICH OWNS 25 PERCENT OF MINE.

3. COMMENT SAGASCA, MEDIUM-SIZED MINE DESIGNED TO PRODUCE 20,000 MT ANNUALLY AND EMPLOYING 500, HAS LONG HISTORY OF PROBLEMS. SINCE MINE OPENED IN 1972 IT HAS SUFFERED EARTHQUAKES, FLOODS, TAKEOVER ATTEMPTS BY ALLENDE GOVERNMENT, LABOR DIFFICULTIES, DISCRIMINATORY EXCHANGE RATE POLICIES, AND

LIMITED OFFICIAL USE

PAGE 02 SANTIA 06721 061532Z

MOST RECENTLY, VERY HIGH PRICES FOR THE SHREDDDED STEEL SCRAP

IT USES IN REFINING PROCESS. IT HAS ALSO HAD MANAGEMENT PROBLEMS. AT CURRENT WORLD PRICES SAGASCA CANNOT COVER PRODUCTION COSTS. NONE OF ITS CREDITORS WANTS TO PUT IN ANY ADDITIONAL MONEY.

4. LOCAL SAGASCA OFFICIAL STILL OPTIMISTIC THAT SOLUTION WILL ONCE AGAIN BE FOUND SINCE GOC AWARE OF POTENTIAL ADVERSE EFFECTS OF HAVING MINE FAIL AND THROWING 500 PEOPLE OUT OF WORK. FAILURE WOULD ALSO BE A BLOW TO GOC CAMPAIGN TO ENCOURAGE NEW FOREIGN INVESTMENT.

5. ACTION REQUESTED: WOULD APPRECIATE DEPARTMENT KEEPING US ADVISED OF INFORMATION ON SAGASCA IT CAN PICK UP FROM US SOURCES.  
POPPER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COPPER, EXPORTS, MINING INDUSTRY, FINANCIAL DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** smithrj  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974SANTIA06721  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740319-0297  
**From:** SANTIAGO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741166/aaaacdxq.tel  
**Line Count:** 75  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** smithrj  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 SEP 2002 by boyleja>; APPROVED <11 MAR 2003 by smithrj>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SAGASCA COPPER MINE PROBLEMS  
**TAGS:** EINV, EMIN, CI, SAGASCA COPPER MINE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005